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# **AICPA** *Washington Report*

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## FEDERAL DEPOSIT INSURANCE CORPORATION

"Recommendation regarding the liquidation's of a bank's assets acquired by the Corporation in its capacity as a receiver, liquidator, or liquidating agent of those assets", will be on the agenda of the FDIC in an open session of the Board of Directors, 2:00 p.m., 12/9/85. Included for discussion will be Case No. 46,371-NR, Penn Square Bank, National Association, Oklahoma City, Oklahoma. The meeting of the FDIC will be held in the Board Room, 6th Floor, FDIC, 550 17th Street, N.W. Washington, D.C.

## FEDERAL ELECTION COMMISSION

PAC contributions to federal candidates were up 29% during the 1983-84 election cycle over the previous 1981-1982 election cycle, according to the FEC's final report. However, the FEC reported the increase was smaller than in previous years. Of the \$113 million in contributions made by PACs in 1983-84, incumbents received 70%, or \$80.6 million, with incumbent House of Representatives Democrats receiving the largest portion at \$38.8 million. Overall, Democratic candidates accepted \$64 million in PAC contributions, while Republican candidates accepted \$48.9 million. Regarding total spending by political party, the FEC reports that during the 1983-84 election cycle the Republicans outspent Democrats three-to-one. However, that represented an increase in Democrat spending over the past two election cycles when Republicans outspent Democrats by more than five-to-one, according to the FEC. The FEC's 4-volume report entitled "The FEC Reports on Financial Activity, 1983-84, Final Report: Party and Non-Party Political Committees," is available at \$15 per volume from the FEC Office of Public Records, 1325 K Street, N.W., Washington, D.C. 20463 or by calling 202/523-4181, or toll free 800/424-9530.

In a related matter, legislation to limit the amount of PAC contributions which could be accepted by House and Senate candidates was endorsed in principle by the Senate on 12/3/85. The Senate voted to technically keep alive an amendment limiting PAC contributions after Senate leaders agreed to hold hearings on campaign-finance changes early next year. No hearings had been held on the legislation at the time it was offered as an amendment to a nuclear waste bill. Other bills have also been introduced in the Senate to amend present campaign-finance law, including measures to provide for public financing of Senate elections (see the 11/18/85 Wash. Rpt.).

## FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

An interagency supervisory policy statement regarding repurchase agreements of depository institutions with securities dealers has been recommended by the FFIEC (see the 12/4/85 Fed. Reg., pp. 49764-68). Developed and adopted by the FFIEC, the recommendation sets forth guidelines pertaining to credit policies and management procedures for controlling the securities underlying the agreements. The following is a list of affected agencies and dates of adoption: FRB, 11/8/85; FDIC, 11/12/85; NCUA, 11/25/85; and OCC, 10/31/85. The FHLBB issued, on 11/22/85 a solicitation for comments for 30 days before it will take final action. To ensure that an unregulated dealer complies with the capital standards of either the SEC's Net Capital Rule for Brokers and Dealers or the Federal Reserve Bank of New York's Capital Adequacy Guidelines for United States Government Securities Dealers, it must provide the following three forms of certification. (1) A letter of certification from the dealer that the dealer will adhere on a continuous basis to the capital adequacy standard; (2) Audited financial statements which demonstrate that as of the audit date the dealer was in compliance with the standard and the amount of liquid capital; and (3) A copy of a letter from the firm's certified public accountant stating that it found no material weaknesses in the dealer's internal system and controls incident to adherence to the standard. The guidelines are effective as of 12/4/85. For additional information contact Robert J. Lawrence at 202/357-0177.

## FEDERAL HOME LOAN BANK BOARD

FSLIC insured institutions will be prohibited from making knowingly false or misleading statements to their auditors, as a result of a final rule adopted by the Federal Home Loan Bank Board (see the 12/2/85 Fed. Reg. pp. 49345-49). Incorporated into a rule which deals with Criminal Referrals and Other Reports or Statements, these institutions would also be prohibited from knowingly omitting material facts from their auditors. In general, FSLIC "has codified its expectations that institutions whose accounts are insured by the FSLIC ("insured institutions") and their service corporations will report crimes, suspected crimes and unexplained losses to the appropriate law enforcement authorities. The regulation also prohibits the making of any statement that is known to be false or misleading or known to omit any material fact within the Board's jurisdiction, as well as prohibiting the making of such a statement to an auditor of an insured institution concerning its affairs. Furthermore, the regulation requires that an insured institution must file a notice and proof of loss concerning any covered losses that are greater than twice the deductible amount specified in its fidelity bond, pursuant to the procedures provided by the bond". In the section dealing with False or misleading statements or omissions, the rule states "No insured institution or director, officer or agent, employee, affiliated person participating in the conduct of the affairs of such institution nor any person filing or seeking approval of any application shall knowingly (1) make any written or oral statement to the Board, the Corporation, or an agent, representative or employee of either of them shall that is false or misleading with respect to any material fact or omits to state a material fact concerning any matter within the jurisdiction of the Board or Corporation; or (2) make any such statement or omission to a person or organization auditing an insured institution or otherwise preparing or reviewing its financial statements concerning the accounts, assets, management condition, ownership, safety, or soundness, or other affairs of the institution." The effective date of this rule is 1/2/86. For further information contact John Downing at 202/377-6437.

## LEGAL SERVICES CORPORATION

Audit and Accounting Guide for Recipients and Auditors; Final Publication and Limited Requests for Comments is the title of a notice from the Legal Services Corporation (see the 11/29/85 Fed. Reg., pp. 49276-315). The Legal Services Corporation was established pursuant to the Legal Services Corporation Act of 1984, as amended (the "Act"), Pub. L. 93-355, 99 Stat. 378, 42 U.S.C. 2996-29961). Section 1009(c)(1) of the Act requires that recipients of financial support from the Corporation provide for an annual financial audit. This notice, according to Legal Services, provides the final publication of the Audit and Accounting Guide for Recipients and Auditors (the Guide) the purpose of which is to assist recipients and their auditors in understanding the accounting, reporting, and auditing requirements for contracts and grants entered into the Legal Services Corporation. The Guide describes the accounting policies, records, and internal control procedures considered adequate to ensure proper financial management of a recipient's programs. It also provides standard financial reporting formats to help achieve uniformity among recipients. Comments are requested concerning Appendix VI, Functional Classification of Expenses. This revised Guide supercedes all previous Guides. Comments concerning Appendix must be received by 1/15/86. For further information contact Michael Coster at 202/863-1820.

## **SECURITIES AND EXCHANGE COMMISSION**

Registered investment advisers will be allowed to charge fees based upon a share of capital gains upon or capital appreciation of a client's account, as a result of a rule recently adopted by the SEC (see the 11/26/85 Fed. Reg., pp. 48556-62). Subject to a number of qualifications regarding eligibility of clients, disclosure, contractual provisions and arms-length transactions, the rule in the view of the SEC "will provide registered investment advisers and their clients significantly more flexibility in negotiating their compensation arrangements." The effective date of this rule is 11/26/85. For further information contact Forrest Foss at 202/272-2105.

In a related matter, the SEC published a statement of staff interpretative positions regarding investment advisers, uniform regulation, disclosure, and reporting requirements (see the 12/5/85 Fed. Reg., pp. 49835-40). The statement, in question and answer form, contains interpretative positions of the staff of the SEC's Division of Investment Management regarding the ADV and other reporting and disclosure requirements applicable to investment advisers under the Investment Advisers Act of 1940. Item 9(E) of this release deals with Balance Sheet Requirement, including Accounting method for Balance Sheet. For further information contact Jay Gould at 202/272-2107.

## **TREASURY, DEPARTMENT OF**

Issuance of marketable Treasury bonds and notes exclusively in book-entry form is the subject of a proposed rule by the Bureau of the Public Debt (see the 12/2/85 Fed. Reg., pp. 49412-22). If adopted, the rule would be effective 7/1/86 and would apply to securities held in the Treasury Direct Access Book-entry Securities System (T-DAB). T-DAB permits investors to have their book-entry securities maintained on a direct access basis by the Treasury, although securities held in T-DAB must be transferred to the Treasury/Federal Reserve book-entry Securities System (T-FED) to be sold or pledged. Treasury anticipates that most marketable Treasury securities will be held in T-FED. Comments are due 1/16/85 and should be sent to the Office of the Chief Counsel, Bureau of the Public Debt, E Street Building, Washington, D.C. 20239-0001. For further information contact Cynthia Reese at 202/376-4320.

For further information contact Gina Rosasco, Shirley Hodgson, or Nick Nichols at 202/872-8190.

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